# Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of	)	
	)	
<b>Petition by the Colorado Public Utilities</b>	)	
Commission, Pursuant to 47 C.F.R.	)	
§ 54.207(c), for Commission Agreement	)	CC Docket No. 96-45
in Redefining the Service Area of	)	
CenturyTel of Eagle, Inc.,	)	
A Rural Telephone Company	)	

# COMMENTS OF NRTA, OPASTCO, WESTERN ALLIANCE AND CTA

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# REPLY COMMENTS OF NRTA, OPASTCO, WESTERN ALLIANCE AND CTA

The National Rural Telecom Association (NRTA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), The Western Alliance and the Colorado Telephone Association submit these joint reply comments to support CenturyTel of Eagle, Inc. (Century) in explaining why the Commission should not concur with the Colorado Public Utilities Commission (CPUC) proposal to fragment Century's Eagle study area into 53 service areas at the wire center level for eligible telecommunications carrier (ETC) designations. All four of the associations represent rural telephone companies that stand to be adversely affected by any precedent set here promoting the creation of small service areas for designating additional rural ETCs. Concurrence in the CPUC rule mandating redefinition of incumbent ETC's study areas into service areas based on their support disaggregation plans would likely serve as a precedent for similar fragmentation of other rural telephone company service areas, in Colorado and elsewhere, to the detriment of rural telephone companies and their customers.

The CPUC is incorrect in its conclusion that modifying the service areas for additional ETCs to "match" Century's 53 wire centers, based on Century's exercise of the opportunity for support disaggregation into two zones, is consistent with Joint Board recommendations adopted by this Commission. This Commission should not accede to the proposed redrawing of the areas for which additional ETCs must meet the universal service requirements of §214(e)(2) because the CPUC has not lawfully considered and resolved the public interest questions it must answer to justify virtually automatic designation and subsidization of added ETCs in CenturyTel's (or any other rural telephone company's) rural service area. Instead, the Commission should dismiss the request until the CPUC considers requests for ETC designation and compiles and evaluates an adequate record to fulfill its obligation not to designate additional ETCs in any rural carrier's, including Century's, study area "[b]efore ...find[ing] that the designation is in the public interest" and obtaining a joint board recommendation and this Commission's concurrence in partitioning into smaller service areas.

# **Introduction and Summary**

The CPUC seeks this Commission's concurrence in its proposal to partition Century's "service area"<sup>2</sup>– used to designate additional Eligible ETCs to receive state and federal universal service support – into 53 new discrete service areas determined by wire centers. As a rural telephone company, Century's service area for ETC designation is set by law at the study area

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<sup>47</sup> USC §214(e)(2).

<sup>&</sup>lt;sup>2</sup> The Communications Act, as amended, defines the term "service area" for purposes of qualifying for universal service support payments as

a geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms. In the case of an area served by a rural telephone company, 'service area' means such company's 'study area' unless and until the Commission and the States, after taking into account recommendations of a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company.

level until the state and this Commission agree to any change, taking into account the recommendation of a federal-state joint board.<sup>3</sup> The CPUC wants (pp.2-3) to redefine Century's service area "consistent with CenturyTel's ... method of disaggregating and targeting its federal universal service support ... to promote competition in CenturyTel's service areas." The CPUC says (pp. 4-5) the change will remove the "barrier to entry" it perceives in not paying support to competitors unless they serve Century's entire Eagle study area.<sup>4</sup>

Although the CPUC acknowledges (p. 5) that Century elected to disaggregate its study area into two zones based on higher and lower costs of service, <sup>5</sup> the CPUC nevertheless proposes 53 service areas. It contends that its rule requiring service area changes was adopted "in response" to and "is consistent with" the Joint Board's recommendation to "consider" support disaggregation in determining service area designations, accepted by this Commission in adopting targeting rules. <sup>6</sup> The CPUC believes (pp.7, 12) that once incumbents target their support, there are no longer significant concerns about cream-skimming, arbitrage or the burden of figuring costs below the study area level. The CPUC seems to think that this assumption lays all public interest considerations to rest.

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<sup>&</sup>lt;sup>3</sup> 47 U.S.C. §214(e)(5); 47 C.F.R. §54.207; *see, also,* 47 C.F.R. Part 36, Appendix-Glossary (freezing study areas for separations purposed as of November 15, 1984).

<sup>&</sup>lt;sup>4</sup> Of course, the wireless carriers apparently seeking designation (CPUC Petition at 11-13) must already have licenses to serve the areas in question and most likely also already serve customers within these areas under federal coverage requirements, so the notion that their entry has been obstructed by denial of a privilege conditioned on statutory obligations is fatally flawed.

<sup>&</sup>lt;sup>5</sup> Century's comments indicate (p. 3) that another Century-owned company, CenturyTel of Colorado elected Path 1. The study area redefinition request does not apply to this other CenturyTel study area.

<sup>&</sup>lt;sup>6</sup> This Commission explained in adopting its disaggregation rules that "[u]nder Path Three, a carrier must self-certify to the relevant regulatory authority either a disaggregation plan of up to two cost zones per wire center or a disaggregation plan that complies with a prior regulatory determination. Disaggregation zones established under Path Three must be reasonably related to the cost of providing service for each disaggregation zone within each disaggregation category of support. Self-certification is meant to reduce administrative burdens on carriers and states, and facilitate the rapid implementation of disaggregation plans. Federal-State Joint Board on Universal Service Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent

However, the Joint Board and this Commission only suggested that states consider an ILEC"s support disaggregation when considering whether to certify an added ETC for a service area smaller than the ILEC's study area. Designation requires a public interest finding first, which must take into account the costs and benefits of subsidizing another carrier for a particular service area. Joint Board and FCC consensus are also prerequisites to a below-study-area service area. The CPUC rule and assumption that more competition automatically supports the smaller service areas and designation of added subsidized carriers in rural areas fly in the face of the law itself. The purpose of the extra hurdles to rural area designations is to foreclose subsidized "competition" unless the state affirmatively finds that the benefits outweigh the costs. Prejudging the key designation and service area partition issues does not comport with the careful scrutiny Congress ordained. This Commission has correctly read the law to require more than just a determination that there will be more competition or that competition is generally desirable. The CPUC should follow the example of the Utah Supreme Court, which weighed the full record on a designation request and found that there was no showing that the benefits of designation outweighed the costs.

This Commission has held that the law does not permit a rule that the service areas must match the support disaggregation levels. From the outset, it has consistently preached and practiced the doctrine that the support measurement and payment levels need not match the state-imposed service areas for duplicative ETC designations in rural and non-rural areas, as long as a carrier does not receive support for service outside the state-adopted service area. The service area to be designated is only one element of the designation evaluation. When this Commission

Local Exchange Carriers and Interexchange Carriers, 16 FCC Rcd 11244, para. 145 (2001) (footnote omitted) (Disaggregation Decision).

considers adding ETCs for rural areas where states deny authority, it includes discussion of the service area in the list of designation and public interest issues it determines.

It is particularly at odds with the law for the CPUC to treat the service area issue as the only thing standing in the way of automatic designation of two carriers that were not eligible before. The public interest consideration must take into account the effect that further rural ETC support will have on federal and state funding levels and sustainability. It must also take into account that support disaggregation affects only one fragment of the overall impact on ILECs of supporting "competition," since, for example, ILEC's access charges and local rates remain averaged at the study area level. Indeed, the impacts and standards for portability of support are highly controversial. This Commission should reject the CPUC petition, rather than setting precedents for "creating" more supported "competition" via questionable support policies, while it is settling the many complex questions before it.

There is No Federal Policy or Joint Board Recommendation that Service Areas Used for ETC Designation Must Match Support Disaggregation Levels

The Joint Board and Rural Task Force recommended only that "the level of disaggregation of support be considered" (emphasis added) in determining whether to certify new ETCs "for a service area other than a rural carrier's entire study area to ensure that competitive neutrality is maintained." The CPUC has transformed that limited suggestion into a policy that competing ETCs must be enabled to enter areas and receive support at well below the study area level "to promote competition in the local exchange market." However, the CPUC's presumption and rule beg the very questions §214(e) requires a state to answer before it designates an additional ETC in a rural carrier's study area for a service area below the incumbent's study area: (1) whether the "public interest" will be served by designating a further

supported carrier in the particular rural carrier's study area and (2) whether this Commission agrees and a joint board has recommended modifying the service area from the incumbent's study area.<sup>8</sup>

These federal statutory hurdles for added rural ETC designations and below-study area designations would be entirely unnecessary if Congress had intended the general unqualified policy of encouraging competition in rural telephone company study areas, as in other areas of the country. Had that been the intent, Congress would simply have omitted the restrictions both on adding subsidized competing ETCs in specified rural areas absent an individualized public interest finding and establishing a presumptive service area at the study area level. The general provisions of the 1996 Act would then have automatically ordained the result the CPUC has reflected in its rule and petition. Congress did not do that. Thus, Colorado cannot lawfully adopt a rule that, in effect, removes the restrictions on support for competitors and careful consideration for service area changes for would-be rural competitors from the law, all to encourage the very competition and duplicative support the law restricts.<sup>9</sup>

The Commission and Recommending Joint Board Have Expressly Decided that ETC Service Areas Cannot Lawfully Be Required in Advance By Regulatory Fiat to Match a Carrier's Disaggregation Plan

The CPUC purports to act in consonance with the Joint Board recommendation reflected in the Disaggregation Decision (supra, n. 5) in adopting its rule to partition ETC designation

<sup>8</sup> Section 214(e)(5) provides: "In the case of an area served by a rural telephone company, 'service area' means such company's 'study area' unless and until the Commission and the States, after taking into account the recommendations of a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company."

<sup>&</sup>lt;sup>7</sup> Disaggregation Decision, para. 165.

<sup>&</sup>lt;sup>9</sup> The Commission had to be judicially corrected when it tried to rewrite and substantially undermine another protection in the statute for the same class of rural carriers and their customers. *Iowa Utilities Bd. v. FCC*, 219 F.3d 744, 759-762 (8th Cir. 2000). The Eighth Circuit there invalidated the Commission's rules implementing the rural exemption rules in § 251(f) because the Commission had overlooked some of the standards, diluted the statutory protections and reversed the burden of proof in favor of competitors.

areas to coincide with an incumbent ETC's support disaggregation plan. However, the reconsideration order on disaggregation expressly refused to mandate automatic service area partitioning to match support disaggregation in the support disaggregation rules. The Commission rejected a party's claim that "whenever a rural incumbent carrier study area is disaggregated for purposes of targeting funding, the study area should automatically be disaggregated for purposes of ETC designation as well." The statute, the FCC held, requires a joint state and federal determination that precludes the Commission from settling that issue in advance by adopting a rule. The CPUC rule here has the same effect of prejudging questions across-the-board in advance that the statute left open for particular determinations required by §214(e)(5). Since the Rural Task Force, the Joint Board and this Commission all only recommended that states "consider" the results of disaggregation "in determining whether to certify new eligible telecommunication carriers for a service area other than a rural carrier's entire study area," neither the state nor this Commission can lawfully bind its hands in advance of the designation and certification process and the findings required by \$214(e), taking into account the impacts of the smaller service areas.

The service area and support areas need not coincide. For example, the Joint Board and this Commission have also expressed concern that using excessively large study area-based service areas for designation in non-rural carriers' territory could deter competition.<sup>11</sup>

<sup>&</sup>lt;sup>10</sup> Federal-State Joint Board on Universal Service Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers Petitions for Reconsideration filed by: Coalition of Rural Telephone Companies Competitive Universal Service Coalition Illinois Commerce Commission National Telephone Cooperative Association, Order on Reconsideration, FCC 02-171 para.17 (June 13, 2002).

<sup>&</sup>lt;sup>11</sup> Federal-State Joint Board On Universal Service, 12 FCC Rcd 8776, para. 184 (May 8, 1997) (May 8, 1997 Order).

Nevertheless, the Commission calculates non-rural proxy support at the wire center level (the method Century used here in the absence of other, more reliable data for rural company areas), measures the need for support based on statewide average costs, and targets the resulting amounts on the basis of wire center costs. Yet there has been no proliferation of state policies to define large carrier service areas at the wire center level.

Moreover, when the Commission decided to use study areas to calculate the level of high cost support that rural carriers receive based on actual costs, it held that its level of support calculations did not have to be the same as a state-designated service area. It also held that "so long as a carrier does not receive support for customers located outside the service area for which a carrier has been designated eligible by a state commission," its decision to calculate costs based on a different area "is consistent with section 214(e)(5)'s requirement that the area for which a carrier should receive universal service support is a state-designated service area." is no reason that the CPUC could not, at the very least, match the two disaggregation zones that Century actually elected.

The Proper Designation Area Is Only One Element of the Comprehensive Public Interest Finding Required Before an Additional ETC May Lawfully Be Designated in an Area Served By a Rural Carrier

As the Joint Board has recognized,

Section 254(e) states that only eligible telecommunications carriers ("ETCs") designated pursuant to section 214(e) shall be eligible to receive federal universal service support. To be designated an ETC pursuant to section 214(e), a carrier must throughout its service area "offer the services that are supported by Federal universal service support mechanisms under

<sup>&</sup>lt;sup>12</sup> Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, Ninth Report & Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45, , FCC 99-306, paras. 45-47, (Nov. 2, 1999), see, also, Federal-State Joint Board on Universal Service, 14 FCC Rcd 21664, paras 1-3 (1999).

<sup>&</sup>lt;sup>13</sup> May 8, 1997 Order, *supra*, n. 10, para. 193.

section 254(c)".14

In cases where a state claims that it lacks authority to act on a designation request, the Commission has considered each of the components necessary for determinations about a requested designation pursuant to §214(e). Furthermore, the Commission has elucidated some of the standards for designation in acting on cases pursuant to its default authority.

In the first place, this Commission has left no doubt that §214(e) requires more than the kind of decision reached by the CPUC that enabling competition by adding an ETC in a rural carrier's area is beneficial in and of itself. As the Commission carefully explained in one designation decision:

Although we recognize the substantial benefits of competition to consumers, we acknowledge that Congress expressed a specific intent to preserve and advance universal service in rural areas as competition emerges. Specifically, we believe that Congress sought to ensure that consumers in areas served by rural telephone companies continue to be adequately served should the incumbent telephone company seek to relinquish its ETC designation under section 214(e)(4). We therefore consider additional factors in the public interest examination required by section 214(e)(6) prior to the designation of an additional ETC in an area served by a rural telephone company, such as whether consumers will be harmed <sup>15</sup>

The Commission's analysis of the issues raised by a request for designation in a rural area where the state lacks jurisdiction includes thorough discussions of:(a) whether the requesting carrier is offering the services designated for support; (b) whether it is offering the supported services using its own facilities or resale; (c) whether it is advertising the supported services; (d)

<sup>&</sup>lt;sup>14</sup> Federal-State Joint Board on Universal Service, Recommended Decision, FCC 02J-1, CC Docket No. 96-45, 2002 FCC LEXIS 3368, para. 4 (July 10, 2002).

<sup>15</sup> Federal-State Joint Board on Universal Service, \_\_\_ FCC Rcd. \_\_\_, 2002 FCC LEXIS 3368 (July 10, 2002), para. 4 (footnote omitted) (Guam Decision I); see, also, Federal-State Joint Board on Universal Service; Guam Cellular and Paging, Inc. d/b/a Guamcell Communications Petition for Designation as an Eligible Telecommunications Carrier In the Territory of Guam, 17 FCC Rcd 1502 (2002) (Guam Decision II). To answer

how designation would affect the public interest in that area, which may take into account whether there are challenges to the requesting carrier's showing that consumers will benefit from its designation; and(e) discussion of the requested designated service areas. There is no indication that the CPUC has taken these elements and their combined public interest impacts into account, since its entire discussion amounts to the truism that if competitors are supported and allowed to qualify for support in areas smaller than the incumbent's study area, there will be more competition. Indeed, the primary reason for the CPUC's redefinition rule and request (pp. 11-12) is that two requests for designation could not satisfy the §214(e)(f) standard for providing service throughout the 53 wire centers in CenturyTel's statutory study-area-defined service area for designation purposes. Moreover, the CPUC seems to believe mistakenly that the service area decision amounts to a valid §214(e)(2) public interest determination that qualifies carriers previously disqualified for the whole study area.

Some of the standards for assessing the public interest and determining the service area in that context can be inferred from the way Congress described the carriers, customers and areas where it provided that competition must only be supported if the state could make the requisite public interest finding. The definition of rural telephone company in §3(37???) of the Communications Act, as amended, 47 U.S.C. §153(47???), shows that Congress linked the extra scrutiny to areas with low density or served by companies with small customer bases. The public interest inquiry should, accordingly, probe the impact of subsidized competition on companies with these characteristics, including their revenue flows, incentives to invest, the

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whether customers will not be prejudiced when the incumbent withdraws, the evaluation should include whether the added ETC does not provide some of the required services under waiver.

16 Guam Decision I, paras. 11-17.

ability to reach "critical mass" to support new services and, as well as what price reductions and new supportable services the particular carrier requesting ETC designation has committed to implementing.

A good example of a substantive state decision under §214(e) was upheld by the Utah Supreme Court. The court sustained the state commission's determination not to designate another requesting carrier in a rural service area when the carrier had not indicated any price reductions or new services to support its bare allegations of the benefits of competition. The CPUC has not analyzed the impacts of competition in the proposed service areas. Nevertheless, it is eager to qualify them for federal subsidies to compete in unevaluated new small service areas, ignoring that Congress singled these rural areas, customers and carriers to meet a different set of standards. To authorize this duplicative federal support in rural service areas, however, the CPUC must first weigh the costs and benefits of competition in light of the characteristics of each particular rural area in question.

The questions to be answered by the CPUC before designating additional subsidized rural ETCs are currently awash in controversy. Section 254 requires that carriers only use support for the intended universal service purposes.<sup>19</sup> Section 254 calls for "sufficient" and "predictable" federal support. The Fifth Circuit held that sufficient also means no unnecessary support, since the nation's consumers must ultimately support the universal service programs.<sup>20</sup> In addition, the Tenth Circuit has instructed this Commission to take proper steps to induce states to meet their

The CPUC laments (pp. 11-12) that two requesting carriers could not qualify, therefore, "for any CenturyTel wire center," which precludes competition in the rural study area (as Congress expressly intended until the state public interest determination and joint study area change requirements had been duly met).

public interest determination and joint study area change requirements had been duly met).

WWC Holding Co., Inc. v. Public Service Commission of Utah, paras. 9-24 (Utah Supreme Court . March 5, 2002), http://courtlink.utcourts.gov/opinions/supopin/wwchol~1.htm.

<sup>&</sup>lt;sup>19</sup> 47 U.S.C. §254(e).

<sup>&</sup>lt;sup>20</sup> Alenco Communications, Inc. v. FCC, 201 F.3d 608 (5th Cir. 2000)

share of the support burden for high cost areas.<sup>21</sup> A pending FCC proceeding is examining contentions that massive growth is taking place in the support for competing ETCs, without commensurate public benefits.<sup>22</sup> This Commission is planning to conduct a proceeding to investigate the policies and rules governing the "portability" of support. To avoid creating unsustainable support expectations while it is revisiting the terms on which portable support should be available, the Commission should require case-by-case showings about the impact on the universal service fund size with respect to public interest determinations concerning ETC designation requests. After all, it already takes this precaution against potentially excessive fund growth in evaluating requests for study area waivers related to mergers and acquisitions not subject to §54.305 of its rules.<sup>23</sup> Until the issues of portability and state inducements are settled, the Commission should require pre-designation showings by states that take state and federal support impacts into account, prior to ETC designations.

<u>Disaggregation of Support Is a Necessary, But Not a Sufficient Step to Prevent Cream-Skimming and Arbitrage of High Cost Support</u>

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<sup>&</sup>lt;sup>21</sup> *Qwest Corporation v. FCC*, 258 F3d 1191, (10th Cir. 2001) (FCC must ensure that sufficient state mechanisms exist to promote universal service).

National Telecommunications Cooperative Association Petition for Expedited Rulemaking, filed July 26, 2002 (asking FCC to define "captured" and "new" subscriber lines for universal service support purposes).

Telecommunications Company of North Dakota Joint Petition for Waiver of the Definition of "Study Area" Contained in the Part 36, Appendix-Glossary of the Commission's Rules Petition for Waiver of Sections 61.41(c) and (d), 69.3(e)(11) and 69.605(c) The Commission has explained its fund monitoring and the standards it applies in those cases as follows;

<sup>&</sup>quot;In evaluating petitions seeking a waiver of the rule freezing study area boundaries, the Commission traditionally has applied a three-prong standard: (1) the change in study area boundaries must not adversely affect the universal service fund; (2) no state commission having regulatory authority over the transferred exchanges opposes the transfer; and (3) the transfer must be in the public interest."

Dickey Rural Telephone Cooperative, Dickey Rural Access, Inc., Polar Telecommunications, Inc., Red River Rural Telephone Association, Red River Telecom, Inc. and Citizens, DA 02-2260, para. 10 (September 13, 2002) (footnote omitted), citing US WEST Communications, Inc., and Eagle Telecommunications, Inc., Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules, AAD 94-27, Memorandum Opinion and Order, 10 FCC Rcd 1771, 1772 (1995).

The CPUC is also mistaken in its determination that disaggregation is a virtually complete cure for the problems that are inherent in making support based on incumbent ETC's costs available to competing carriers that are free to choose where to enter and seek ETC status. Century explains in its comments (pp. 3-4) that its disaggregation plan uses averaged costs to assign wire centers to one low- and one high-cost zone. Thus, additional ETCs retain substantial ability to cherrypick areas to serve where their costs are lower than the averaged cost of the incumbent and the support available to them. Indeed, disaggregation may improve an incumbent's situation, but it will not be fully efficacious to prevent support arbitrage and windfalls unless the cost zones are granular to the customer level, obviously a level that is not administratively feasible or practical. Disaggregating the area a competitor must serve to obtain support also adds to the disparate burden on the incumbent to serve throughout its study area as the carrier of last resort, as well as shouldering the area-wide cost of CALEA implementation and other requirements that are proportionately more costly in parts of its service area.

Disaggregation of universal service support also addresses only one component of the arbitrage opportunities an essentially unregulated competitor has in comparison to a rate-regulated incumbent. With access charges and local rates generally averaged throughout their study areas, rate of return carriers continue to be disadvantaged targets for competitors whose rates can reflect cost differences with greater granularity. The public interest finding states are required to make before designating additional ETCs in a rural incumbent's area should also evaluate these other impacts of subsidizing "competition" in rural areas, a policy Commissioner Martin has questioned.<sup>24</sup>

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<sup>&</sup>lt;sup>24</sup> Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers Federal-State Joint Board on Universal Service Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation Prescribing the Authorized

Owing to these economic realities, disaggregation under this Commission's rules does not fully remedy the situation that prompted adoption of flexible, but limited, disaggregation procedures in the first place. Now, as was the case before (although somewhat less so),

support in low-cost areas of ... [an] area may exceed the cost of serving those areas while support in high-cost areas may be insufficient to offset the higher cost of serving those areas ... [which] ... may create uneconomic incentives for competitive entry."<sup>25</sup>

Accordingly, this Commission should not grant its imprimatur to the proposed service area modifications that rest on a vastly oversimplified view of the impacts of additional CETC designations and subsidies in high cost areas. The CPUC is simply wrong that its rule ensures or even contributes to competitive neutrality. States should exercise their public interest responsibilities with care when they affect the nation's widely disparate rural areas, since Congress recognized in §214(e) that the results of subsidizing competitors may not be presumed to lead to the benefits generally expected from increasing competition.

# Conclusion

The CPUC rule and assumption that support disaggregation justifies service area fragmentation and resolves all concerns about cherry-picking, arbitrage and the public interest in supporting multiple ETCs in rural telephone company errors is not justified by the Communications Act, any joint board recommendation or FCC decision or the facts about serving rural areas.

Accordingly, this Commission should reject the CPUC's request for concurrence in its

Rate of Return for Interstate Services of Local Exchange Carriers, 16 FCC Rcd 19613 (2001) (MAG Plan Order), Separate Statement of Commissioner Kevin J. Martin:

.I also note that I have some concerns with the Commission's policy – adopted long before this Order – of using universal support as a means of creating "competition" in high cost areas. I am hesitant to subsidize multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. This policy may make it difficult for any one carrier to achieve the economies of scale necessary to serve all of the customers in a rural area, leading to inefficient and/or stranded investment and a ballooning universal service fund. It is thus with real pause that I sign on to an Order that may further this policy.

unsupported policy of partitioning rural telephone company study areas to reflect their disaggregation plans and move forward with its plans for comprehensive review of the many thorny issues raised by portability policies.

Respectfully submitted,

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<sup>&</sup>lt;sup>25</sup> Disaggregation Order, para. 137.

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# **Certificate of Service**

I, Margot Smiley Humphrey, of Holland & Knight LLP, 2099 Pennsylvania Ave., NW, Suite 100, Washington, DC 20006, do hereby certify that a copy of the Comments of NRTA and OPASTCO, was sent on this 27<sup>th</sup> day of September, 2002, to the following parties:

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